

## PROS AND CONS OF SECTION 529 AT A GLANCE

PROS	CONS
Income and growth are tax free as long as withdrawals are used for qualified higher education expenses.	No deduction is allowed for contributions.
The donor retains control to disburse the money. The donor can change the beneficiary.	No investment control. Funds are managed by the trust. TIAA-CREF manages the California ScholarShare plan.
The donor can take the money back (and pay taxes and penalties.)	Trust will be in conservative investments not necessarily those that a donor would choose.
If money remains after beneficiary graduates, it can be used for grad school or transferred to another family member.	Contribution applies against annual and lifetime gifting amounts where direct payment of tuition does not.
No AGI limitation for donors.	Financial aid may be impacted by amounts in the plan. <i>(Less if grandparent funds it.)</i>
Estate planning can include transfers to §529 plans.	Only cash can be contributed. Other assets must be liquidated if they are used to fund the plan.
Students may attend any accredited school in the nation. School does not have to be named when the account is opened.	Penalties apply if funds are not used for college.
Trust can be used for most college expenses including tuition, fees, books, supplies and room and board.	Some tax advantages are due to expire in 2010 <i>Likely to change from tax-free to tax-deferred.</i>

### More Information Available on the Web

Several web sites provide information on the various state plans and also include calculators for college expenses and links to federal financial aid sites. See [www.savingforcollege.com](http://www.savingforcollege.com) for general information on §529 plans and for comparative analysis of the various state plans. See [www.scholarshare.com](http://www.scholarshare.com) for information and online enrollment for the California ScholarShare plan.

\* Move UGMAs into 529 plan if paying Kiddie Tax.